



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REK-216  
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### Today's Daily

#### ■ Pakistan Economy: 1HFY17 LSM Review

LSM growth for 1HFY17 clocked in at 3.90%YoY buoyed by a jump in Dec'16 by 7.04%YoY on seasonal trends. This however remained slightly lower than 3.94%YoY in the comparative period in FY16 owing to slower than earlier growth in the Auto sector (6.7%YoY in 1HFY17 vs. 33.0%YoY in 1HFY16). However, recovery in the Food sector (16.2%YoY in 1HFY17 vs. 0.64%YoY in 1HFY16) lent support to the LSM index. While some upwards push is expected in the coming months on periodical trends, we expect it to normalize over FY17. However, ongoing expansion plans can lift the index higher than previous year where we project it to round off in the range of 3.5%-4.0% in FY17. This however, remains inadequate to support GoP's FY17 GDP target of 5.7% where we expect it to clock in at 4.9% for the year (vs. 4.7% in FY16) supported by recovery in the agriculture sector (cotton production up 10%YoY).

#### KSE100 - Index

Current 48,929.12  
Previous 49,375.71  
Chg. -0.90%

#### Mkt Cap. (PkrBn/US\$bn)

Current 9,730 / 92.80  
Previous 9,798 / 93.45  
Chg. -0.70%

#### Daily Turnover (mn)

Current 344.29  
Previous 424.58  
Chg. -18.9%

#### Value Traded (PkrMn/US\$mn)

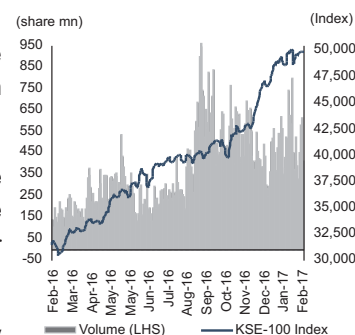
Current 14,742 / 140.60  
Previous 25,704 / 245.15  
Chg. -42.6%

**AKD Daily**

Tuesday, Feb 21, 2017

### News and Views

- Federal Minister for Commerce Engineer Khurram Dastgir stated the facility of GSP plus granted to Pakistan by European Union would remain intact by Dec 31'23.
- It was disclosed in a meeting of the the Economic Coordination Committee (ECC) that the GoP has earmarked Pkr25bn out of gas infrastructure development cess (GIDC) collection for implementing the US\$2bn Gwadar liquefied natural gas (LNG) pipeline project.
- Work on 1320MW coal based power plant costing US\$2.6bn is underway at Thar Coal Field which will start producing electricity by 2018.



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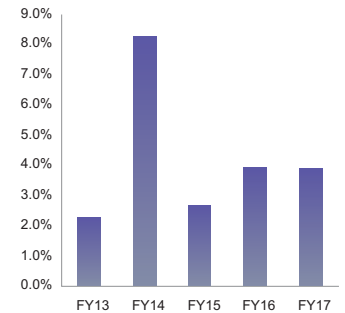
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1H LSM growth trend



Source: SBP, PBS & AKD Research

**1HFY17 LSM Review:** PBS recently released data for Large-Scale manufacturing, where despite the seasonal jump in Dec'16, LSM growth remains slightly lower at 3.90%YoY in 1HFY17 compared to 3.94%YoY in the comparative period in FY17. In Dec'16 alone the index expanded 7.04%YoY pushed by strong production in Food (16.2%YoY), Iron & Steel (+20.8%YoY) and Automobile (12.1%YoY) sectors. In 1HFY17 cumulative period, growth was primarily driven by heavy weight Food Sector (12% weight in index) which recorded an increase of 6.95%YoY in the period from Sugar (+52%YoY) and Beverages (18.7%YoY) category. This was followed by 15.6%YoY and 9.3%YoY growth in Iron & Steel (5.4% weight) and Non-Metallic Minerals (5.4% weight) sectors.

### 1HFY17 Large - scale manufacturing index

	Weight (%)	Dec'16 (%YoY)	1HFY17 (%YoY)
Textile	20.9	0.6	0.1
Food & Beverages	12.4	16.2	7.0
Coke & Petroleum	5.5	0.4	(1.3)
Iron & Steel	5.4	20.9	15.6
Non-Metallic Mineral	5.4	4.2	9.3
Automobiles	4.6	12.1	6.7
Fertilizers	4.4	(1.0)	3.5
Pharmaceuticals	3.6	6.9	7.9
Paper & Board	2.3	16.1	5.7
Electronics	2.0	9.0	14.4
Chemicals	1.7	4.1	(2.7)

Source: PBS & AKD Research

**Outlook:** While some upwards push in LSM growth remains likely in the coming months on periodical trends, we expect it to normalize over FY17. Additional push is likely from planned expansions in various industries, and new product/variant launches (Automobile segment), which can help



LSM growth to round off in the range of 3.5%-4.0% vs. 3.1%YoY recorded in the preceding year. This however, remains inadequate to support GoP's FY17 GDP target of 5.7%. Support to GDP growth is likely to be centered on expected recovery in the Agriculture segment where crop performance so far in FY17 has shown 10.3%YoY increase vs. 29% decline in FY16. Consequently, we project GDP growth to clock around 4.9% for the year vs. 4.7% in FY16.



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